Guyana

The Guyanese economy is expected to grow by 52% in 2022, outperforming previous estimates owing to higher international oil prices and increased investment. Oil production capacity increased almost threefold with the introduction of the second Floating Production Storage and Offloading (FPSO) vessel. This led to an almost doubling of crude oil exports and an external current account surplus. The Government leveraged this increased performance into expansionary fiscal policy, with tax cuts and increased infrastructural and social spending. Nevertheless, over the first six months of 2022, increased revenue from the oil sector outweighed the increase in expenditure, leading to a fiscal surplus of 0.5% of GDP for the first half of the year. For 2023, growth is projected at a still impressive 30%, reflecting weaker global growth prospects and continued international uncertainty stemming from the war in Ukraine, along with lower investment.

Fiscal policy has been expansionary in Guyana in 2022. The Government's 2022 budget featured several tax cuts —targeting energy sector equipment— and continued infrastructural spending. In addition, to benefit lower-income earners, the personal income tax threshold was increased from 65,000 to 75,000 Guyana dollars (G$). To combat rising international fuel and shipping prices, the excise tax on gasoline and diesel was reduced from 20% to 10% (and later removed entirely) and the government declared that customs duties, excise tax and Value Added Tax on would be calculated on the basis of pre-pandemic freight costs until December 2022. Expenditure on several social assistance programmes was also increased. Despite this expansionary policy, the Government recorded a fiscal surplus of 0.5% of projected full-year GDP for the first six months of 2022, compared to a deficit of 0.6% of GDP for the same period in 2021; total revenue expanded by 43%, outweighing a 26% increase in expenditure. Total public debt decreased to 25.3% of GDP by June 2022, from 38.7% of GDP at the end of 2021. While the total debt stock expanded by 3.9%, the nominal GDP growth led to a fall in the ratio.

Monetary policy in Guyana remained accommodative in 2022. The bank's discount rate remained unchanged at 5.0% in 2022. The reserve requirement rate remained at 10%, after being lowered in August 2020 as part of the financial relief measures for coronavirus disease (COVID-19). With respect the monetary aggregates, M2 increased by 4.7% from the end of 2021 to June 2022. This was a result of higher net domestic credit, which grew by 14.8%, driven by 7.5% growth in credit to the private sector. Growth in this segment was led by 30.6% growth in lending to the construction and engineering sector and 23.5% growth in lending to the manufacturing sector.

Guyana's official exchange rate remained at G$ 208.5 to US$ 1 over the first six months of 2022. Most of Guyana's remaining pandemic measures were relaxed or lifted in 2022, including the mask mandate and the requirement for negative COVID-19 tests for entry.

The current account balance grew to a surplus of 6.1% of projected full-year GDP in the first half of 2022, up from a deficit of 3.2% of GDP for the first six months of 2021. The merchandise trade surplus expanded almost 300%, driven by a surge in exports, in turn driven by crude oil exports. The crude oil exports benefited from higher international oil prices: compared to the first six months of 2021, the total volume of oil exports grew by 67% while the value of oil exports grew 179%. Exports of bauxite and timber also grew, while sugar, rice and gold all declined. The capital account balance changed from a surplus of 2.0% of GDP for the first half of 2021 to a deficit of 7.0% of GDP in the first half of 2022.

Although the capital account offset the improvement in the current account movement, the overall balance of payments remained at -0.8% of GDP.

GDP growth in 2022 is projected at 52.0%, up from 18.5% in 2021 and even higher than the 43.5% growth recorded in 2020. The enormous growth was driven by an expansion in the energy sector, as the arrival of ExxonMobil's second FPSO vessel almost tripled Guyana's total oil production capacity to 340,000 barrels per day. The energy sector also benefited from higher international oil prices, which increased revenue and resulted in planned investments in the sector being brought forward to 2022. Following these investments, the estimated oil production capacity increased further to 380,000 barrels per day. Growth in 2023 is projected to be slower, at 30.0%, owing to weaker global growth expectations and investments being shifted to 2022.

Inflation in Guyana rose from 5.7% in December 2021 to 7.5% in April 2022, easing to 5.0% in June before climbing again to 6.5% in September 2022. The cost of food has been driving price increases since mid-2021, when severe flooding that affected agricultural production pushed food inflation as high as 16.95% in July 2021. Food inflation remained above 10.0% until June 2022, one year after the flooding shock, when it fell to 7.3%. Since then, it has risen slowly to 11.2%, in part because of the impact on global food prices of the war in Ukraine, which also caused transportation and communication inflation to increase to 4.0% by June 2022. Public sector employment fell 10.9% from December 2021 to June 2022, as the number employed with the central government declined 17.7%, offsetting a 4.3% rise in employment with the rest of the public sector.